

TABLE OF CONTENTS

MOTOR FUEL TAX SUPPLEMENT

	<u>Page</u>
MOTOR FUEL TAX SUPPLEMENT TO TAX TEXT	1
Licensing Types	1
General Licensing Information	2
Bonds	2
General Reporting Information	2
Application	3
Dyed Diesel Fuel	4
Alcohol	4
Bulk/Book (Stationary) Transfers in Michigan Terminals	4
Two-Party Exchanges at Michigan Terminals	5
Stationary Transfers and Two-Party Exchanges at Out-of-State Terminals	5
Aviation Fuel Registration	6
Fuel Imported From Outside the United States	6
Fuel Imported From Bulk Plants in Other States	6
Exports	6
Fuel Diversions	7
Fuel Diversion Numbers	7
Diversions “In”	8
Diversions “Out”	8
Bad Debt Deduction for Licensed Suppliers	9
Shipping Papers	9
Invoicing	10
Recordkeeping	10
Right to Examine Records	10
Penalty Provisions	11

General Fuel Tax Information Retail Marine Diesel

Dealers and Liquefied Petroleum Gas (LPG) Dealers.....	11
Definitions of Various Terms Used in PA 403	12
Licensing and Fees.....	13
Account Number.....	13
Application.....	13
Bonding.....	13
License Revocation.....	13
Tax Rate.....	14
Sales of Undyed Diesel Fuel to the Government Including Credit Card Sales	14
Invoicing	15
Invoicing Tax-Exempt Undyed Diesel Fuel Sales.....	16

Retail Marine Diesel Dealers	16
Who Must Be Licensed as a Retail Marine Diesel Dealer?.....	17
General Information.....	17
Licensing and Fees.....	18
Account Number.....	18
Application.....	18
Bonding.....	19
License Revocation.....	19
Tax Rate.....	19
Invoicing Tax-Exempt Sales of Marine Diesel Fuel	19
Returns and Schedules	20
Record Keeping Requirements	20
Due Date of Returns.....	20
Returns and Statute of Limitations	20
Penalty and Interest.....	21
Discontinuance, Selling or Transfer of Business and Cancellation, Revocation or Termination of License.....	21

Liquefied Petroleum Gas (LPG) Dealers.....	21
Definition of Terms Used	21
Who Must Be Licensed as an LPG Dealer?	22
Licensing and Fees.....	22
Account Number.....	22
Application.....	22
Bonding.....	23
License Revocation.....	23
Tax Rate.....	23
Invoicing	23
Returns and Schedules	23
Record Keeping Requirements	23
Due Dates of Returns.....	24
Returns and the Statute of Limitations	24
Penalty and Interest.....	24

	<u>Page</u>
Discontinuance, Selling or Transfer of Business and Cancellation, Revocation or Termination of License	24
MOTOR CARRIER SUPPLEMENT TO TAX TEXT	24
General Information.....	24
Who Must Be Licensed as an IFTA Motor Carrier?	26
IFTA Base Jurisdiction	27
IFTA Account Number.....	27
IFTA New and Renewal Applications.....	27
IFTA Temporary Permits.....	27
Trip Permits	28
IFTA Grace Period for Licensing	28
Bonding.....	28
License Revocation.....	28
Invoicing Tax-Exempt Undyed Diesel Fuel Sales.....	28
IFTA Fuel Tax Reports and Schedules.....	29
IFTA Record Keeping Requirements	30
IFTA Due Date of Report.....	30
Penalty and Interest Provisions	30
IFTA Motor Carriers.....	30
Lease Agreements	31
Discontinuance of Business	31

MOTOR FUEL TAX SUPPLEMENT TO TAX TEXT

The purpose of the supplemental text is to provide practitioners with further instruction concerning licensing, taxable or nontaxable transactions, special reporting and tax payment procedures, and the rights and responsibilities of the parties involved in motor fuel transactions. The text is **not** intended to be all-inclusive, but rather is intended to provide general information.

LICENSING TYPES

Terminal Operator. Owns, operates or controls a terminal.

Supplier. Is a position holder in a terminal or refinery in Michigan, and is registered under Section 4101 of the Internal Revenue Code (IRC) for motor fuel transactions in the bulk transfer/terminal system; is a position holder in a terminal or refinery outside of Michigan from which fuel is removed and delivered to Michigan; is a person who acquires fuel at a terminal or refinery in Michigan from a position holder in a two-party exchange; also is a person who imports fuel grade ethanol or produces alcohol or alcohol derivative substances in Michigan or outside of Michigan for delivery to a terminal in Michigan, or acquires alcohol or alcohol derivative substances upon importation.

Permissive Supplier. Is a position holder in a terminal outside of Michigan, or acquires fuel from a position holder in a terminal outside Michigan in a two-party exchange, and is registered under Section 4101 of the IRC. A Permissive Supplier **may** not be subject to the taxing jurisdiction of this State.

Bonded or Occasional Importer. Imports motor fuel from outside the United States by transport truck, tank wagon, pipeline or marine vessel for delivery into a storage facility other than a qualified terminal. The Importer must be licensed in the Canadian province or territory, or foreign country from which the fuel is imported.

Tank Wagon Operator – Importer. Imports motor fuel from a bulk plant in another state by tank wagon (or transport truck).

Note: A person may purchase fuel from a Michigan licensed Supplier or Permissive Supplier outside of this state for delivery to Michigan and **pre-pay the Michigan motor fuel tax** to that Supplier or Permissive Supplier without an Importer license.

Exporter. Exports motor fuel from Michigan.

Blender. Produces blended motor fuel outside of the bulk transfer/terminal system in Michigan.

Retail Marine Diesel Dealer. Amendments to Public Act (PA) 403 of 2000, effective on April 1, 2003, add a definition of Retail Marine Diesel Dealer. The Retail Marine Diesel Dealer sells or distributes diesel fuel to an end user in Michigan for use in boats or other marine vessels.

Aviation Fuel Registrant. Purchases aviation fuel for resale.

LPG Dealer. A person licensed under PA 403 to use liquefied petroleum gas. (*See MCL 207.1151 (c) for a definition of use.*)

Transporter. An operator of a railroad or rail car, tank wagon, transport truck or other fuel transportation vehicle engaged in the business of transporting motor fuel below the terminal rack.

Carrier. An operator of a pipeline or marine vessel engaged in the business of transporting motor fuel above the terminal rack.

General Licensing Information

License fees are indicated on the license application.

Once issued, a license remains in effect unless or until it is discontinued by the licensee, or revoked, canceled or suspended for cause by the Department. Although the license does not need to be renewed annually, the Department may, at any time, request that a licensee provide updated information including, but not limited to, financial statements.

Licenses are not transferable. Written notice must be provided to the Department within 30 days if there is a change of at least 20% of beneficial ownership. The Department will advise as to whether a new license is required.

If a business is sold, discontinued or transferred, written notification must be provided within three business days.

Bonds

Suppliers, Terminal Operators and Bonded Importers, except those licensed without bond requirements under PA 150 on the effective date of PA 403, **must** submit surety bonds unless they provide proof of net worth of at least \$5 million and absent any circumstances indicating risk to the Department. Suppliers, Terminal Operators and Bonded Importers who were licensed under PA 150 without bond requirements **may** still be required to submit bonds.

Eligible Purchasers and any other licensees not indicated above **may** be required to provide bonds if the Department determines it is necessary to ensure payment of the tax.

General Reporting Information

Returns and all required schedules are due with full payment on the 20th of the month following the close of each reporting period. Returns that are not filed timely, with full payment, are subject to the penalty and interest provisions of the Revenue Act, PA Act 122 of 1941, as amended.

Tax returns are to be filed even if no tax due.

PA 403 does not require licensing of **Carriers**, who are operators of pipelines or marine vessels that transport motor fuel above the terminal rack. Carriers are, however, required to file monthly reports to account for motor fuel activity.

Detailed instructions are provided with all tax returns and schedules. The instructions should be read carefully prior to filling out the returns and schedules. **When preparing returns and schedules it is imperative that the appropriate product codes be used, including codes for fuel grade ethanol, methanol, gasohol, and dyed diesel fuels.**

Suppliers, Permissive Suppliers and Terminal Operators are required to file returns electronically. Suppliers and Permissive Suppliers are required to pay the tax due on their return by either ACH debit or credit. Applications are available on the Motor Fuel Web site. Additional electronic filing information can be found at www.michigan.gov/motorfuel efile.

Tax Return Filing Schedule

Carriers	Monthly
Terminal Operators	Monthly and Annually
Suppliers	Monthly
Permissive Suppliers	Monthly
Blenders	Monthly
Bonded Importers*	Quarterly
Occasional Importers**	Quarterly
Tank Wagon Operator Importers	Quarterly
Retail Marine Diesel Dealers	Quarterly
Transporters	Quarterly
Exporters	Quarterly

* Bonded Importers file monthly estimated payments with form 3819 and follow up with the quarterly return to reconcile all activity for the reporting quarter.

** Occasional Importers must remit tax on each load imported from outside the United States within three business days after either the date the taxable fuel was delivered into Michigan, or the date that a valid import verification number was obtained from the department, whichever is earlier. Form 3778 must accompany the payments. The quarterly return is filed to reconcile all activity for the reporting quarter.

Application

New applicants need to file form 3712 MOTOR FUEL TAX LICENSE APPLICATION.

Dyed Diesel Fuel

Dyed diesel fuel is exempt from the motor fuel tax unless it is used for taxable purposes.

Persons licensed as Terminal Operators, Suppliers, Permissive Suppliers, Occasional, Bonded or Tank Wagon Operator Importers and Transporters, and Carriers are required to report the removal, importation or exportation of dyed diesel fuel even though it is not taxable in most cases.

Retail Marine Diesel Dealers must be licensed and file quarterly fuel tax reports. Dyed diesel fuel can be used in marine vessels and the tax must be collected and reported on transactions which are not exempt.

Alcohol

Alcohol, which includes fuel grade ethanol, is included in the definition of gasoline and is to be reported and taxed in the same manner and at the same time as gasoline. Alcohol is subject to tax regardless of whether or not it has been blended with gasoline or other gasoline products unless an exception is provided for in the Act. If alcohol upon which tax has been paid is used for a nontaxable purpose, the end user may file a claim for refund. Refer to the general text for motor fuel tax for specific information related to the filing of claims.

The amendments to PA 403 of 2000, effective April 1, 2003, remove methanol from the definition of alcohol. The definition of gasoline includes alcohol, and methanol that is sold for blending with gasoline or for use on the road.

Bulk/Book (Stationary) Transfers in Michigan Terminals

Book Transfers, which are commonly referred to as Stationary Transfers, are changes of ownership that take place above the terminal rack between licensed Suppliers, **both of whom are position holders in the terminal.**

Bulk Transfers are movements of fuel by licensed Suppliers **from one terminal location to another terminal location** above the rack by pipeline or marine vessel.

When a bulk or book (stationary) transfer takes place, the terminal operator reports the change of ownership or movement of fuel from the original position holder or terminal location on form 3781 SCHEDULE 15B - TERMINAL OPERATOR SCHEDULE OF DISBURSEMENTS. The terminal operator reports the acquisition by the receiving position holder or terminal on form 3780 SCHEDULE 15A - TERMINAL OPERATOR SCHEDULE OF RECEIPTS - MICHIGAN TERMINALS ONLY. The "Mode" section of the Schedules will indicate if the transaction is a bulk transfer or a book (stationary) transfer. The change of ownership or terminal location is reflected on form 3782 and is **not** included on the Supplier report.

The terminal operator must also report on Schedule 15B each subsequent product removal across the rack by truck (mode “J”). The Supplier who is in possession of the fuel when the transfer is completed will continue the reporting process by including the removal across the rack on a Supplier’s Disbursement Schedule as a taxable removal.

Two-Party Exchanges at Michigan Terminals

A two-party exchange is a change of ownership that takes place between licensed Suppliers, in which **only the first party to the exchange**, the Supplier transferring ownership of fuel to a receiving Supplier, **is a position holder in the terminal**.

The Terminal Operator is required, however, to treat the receiving Supplier, the second party to the exchange, as the Supplier that removes the fuel across the rack, as though the second Supplier is a position holder for purposes of reporting the transaction and determining who is liable for the tax. The Supplier who is the first party to the exchange, the actual position holder, is required to notify the Terminal Operator of the exchange and identify the receiving Supplier.

The original acquisition in the terminal by the Supplier who is the actual position holder will have been reported on the Terminal Operator’s Schedule 15B for that Supplier. When that Supplier notifies the Terminal Operator of the exchange, the Terminal Operator will report the change of ownership on Schedule 15B for the original Supplier and on Schedule 15A for the receiving Supplier.

The Supplier who is the first party to the exchange will report the transfer of ownership of the fuel to the second party on form 3784 SUPPLIER SCHEDULE OF DISBURSEMENTS, Schedule 6X.

The Supplier who is the second party to the exchange reports the receipt of the fuel from the first party on form 3783 SUPPLIER SCHEDULE OF RECEIPTS, Schedule 2X.

Transactions reported on Schedules 2X and 6X by the Suppliers are tax-free because, although the second Supplier involved is not a position holder in the terminal, the transfer is **considered** to have taken place above the rack.

When the receiving or second Supplier removes the fuel across the terminal rack, the Terminal Operator will report the transaction on Schedule 15B for that Supplier.

The receiving supplier will report the taxable removal on Schedule 2X.

Stationary Transfers and Two-Party Exchanges at Out-of-State Terminals

When transfers or exchanges take place at terminals located outside the State of Michigan but the fuel is ultimately removed for delivery to a location in Michigan, the receiving transfer or exchange partner (Supplier) reports the fuel removed on form 3783, Schedule 3.

The operator of the terminal **must** be advised of the change of ownership due to either a stationary transfer or two-party exchange to ensure that shipping papers are properly prepared, and that the party responsible for Michigan tax is identified.

Aviation Fuel Registration

Persons who purchase aviation fuel for **resale** are required to be registered with the Department.

Aviation Fuel Registrant Certificates do **not** authorize the purchaser to obtain aviation fuel exempt of the 3-cents-per-gallon tax imposed by the Aeronautics Code.

Aviation fuel registrants are not required to file tax returns.

Fuel Imported From Outside the United States

If motor fuel upon which tax was not prepaid to a Michigan licensed Supplier or Permissive Supplier is to be imported from another country, an import verification number **must** be obtained from the Department within 24 hours **before entering** Michigan for each load imported. The person bringing the fuel into Michigan from another country must call the toll-free line at 1-888-213-0676 to obtain the import verification number. The line is available 24 hours a day, 7 days a week.

Bonded Importers are required to remit **monthly estimated tax payments** with form 3819 on or before the 20th day of the month following the close of the previous month. A quarterly return must then be filed to reconcile activity for the full reporting quarter. Payments are deducted from the calculated tax due on the return. The quarterly return is due on the 20th of the month following the close of the reporting quarter.

Occasional Importers are required to remit tax on fuel imported from outside the United States on form 3778 within three business days after the date taxable fuel is delivered into Michigan, or after the date the valid import verification number is obtained from the Department, whichever is earlier. A quarterly return is then to be filed to reconcile all activity for the full reporting quarter. Payments are deducted from the calculated tax due on the return. The quarterly return is due on the 20th of the month following the close of the reporting quarter.

Fuel Imported From Bulk Plants in Other States

Tank Wagon Operator. Importers, who must be licensed to import motor fuel from bulk plants located in other states, remit tax for all loads imported on quarterly returns.

Exports

Although PA 403 imposes tax on motor fuel upon importation or removal across a terminal rack, there are **some situations** in which the fuel is exported where the tax does **not** apply.

Licensed Suppliers are not required to remit Michigan motor fuel tax when they remove fuel across a terminal rack in Michigan for delivery to a location outside of Michigan **if they are licensed for motor fuel in the destination state**. Licensed Suppliers who sell fuel at a rack in Michigan to other licensed Suppliers for immediate export are not required to collect tax from the licensed Supplier to whom they are selling **if the Suppliers purchasing the fuel are licensed for motor fuel in the destination state**.

Suppliers who sell motor fuel to Exporters licensed with the Department or to other persons for immediate export are **not** required to collect the Michigan motor fuel tax **if proof of export is available in the form of a terminal-issued shipping paper, and the Supplier has pre-collected the destination state tax**.

Not all states have the statutory authority to allow pre-collection of their tax by Suppliers. If motor fuel is sold by Michigan Suppliers to licensed Exporters or other persons for delivery to a state that does **not** allow pre-collection, the **Michigan tax must be charged**. Suppliers are required to issue, or instruct the terminal operator to issue, shipping papers that meet the requirements of Section 103 (1)(d) of the Act indicating the state to which the fuel is to be delivered and specifying that Michigan tax has been paid or accrued to the Supplier. If the purchasers subsequently pay tax to the destination state, they may submit proof to the Department and request refunds of the Michigan motor fuel tax.

There are also instances where the destination states do not impose tax on a particular type of fuel that is being purchased for export to their state. When this occurs Suppliers will **not** charge the Michigan motor fuel tax **if the purchasers are licensed Exporters**. The Suppliers must issue or instruct the terminal operators to issue shipping papers that meet the requirements of Section 103 (1)(d) indicating the state to which the fuel is to be delivered, specifying that the delivery is subject to the statutory requirements of the destination state, and that Michigan tax has **not** been paid or accrued. **If the purchasers are not licensed with the Department as Exporters, the Suppliers must charge the Michigan tax**.

Fuel Diversions

PA 403 requires payment of the tax when fuel is diverted to Michigan from its original state of destination. The Act further provides for refunds under certain circumstances when fuel is diverted from Michigan to a location outside of this state.

In either instance, specific requirements must be met.

Fuel Diversion Numbers

When fuel is diverted from its original state of destination, the owner of the fuel, or the shipper if other than the owner, must obtain a fuel diversion number **prior** to the diversion taking place.

Michigan has entered into an agreement with the National Fuel Diversion Registry. The Registry is maintained by the State of Wisconsin and is responsible for assigning diversion numbers and providing the member states with information relating to diversions both “to” and “from” their states. Industry members who use the Registry are provided with notifications of their fuel diversions as well.

To obtain a fuel diversion number the owner or shipper must call 1-888-367-1600, which is an interactive voice system that is available 24 hours a day, 7 days a week. The number must be written on the shipping papers that are in the possession of the driver.

It should be noted that industry members must complete a one-time form FT-220 INTERSTATE FUEL DIVERSION FAX NOTIFICATION APPLICATION prior to reporting any diversions. The application is available on the Treasury Web site or it can be obtained by calling the Customer Contact Division at (517) 636-4600. Industry members who have already applied with the Registry for diversions to and from other states need **not** re-apply.

Diversions “In”

Importers are required to report and pay tax on fuel diverted to Michigan when the shipping paper indicates a different state of destination.

Licensed Bonded Importers must remit tax on fuel diverted from an original state of destination other than Michigan to a location in Michigan on a monthly estimated payment form 3819. The transactions are then reported quarterly on form 3992.

Licensed Occasional Importers must remit tax on diverted fuel within three business days on form 3778 and include the transactions on their quarterly reconciliation return form 3992.

Licensed Tank Wagon Operator-Importers report the transactions and remit tax on their form 3992.

When **unlicensed** importers divert fuel to Michigan from the original state of destination, payment is required within three business days after the date taxable fuel is delivered into Michigan. The collection cost allowance is **not** applicable.

Licensed Exporters who divert fuel from its original state of destination to Michigan must also pay the tax within three business days after the date the taxable fuel is delivered into Michigan. Again, the collection cost allowance is **not** applicable.

If an Importer or licensed Exporter purchased the diverted fuel from a Michigan licensed Supplier, the Importer or licensed Exporter may enter into an agreement with the Supplier to have the Supplier collect and remit the tax. The agreement must include at least the names of the parties to the agreement, the date the agreement was made, and the type and gallons of fuel. The Supplier must attach a copy of the agreement to their current period tax return.

***Note:** If a person diverting fuel into Michigan has obtained the required fuel diversion number, the person need **not** contact the Department for an import verification number.*

Diversions “Out”

Exporters may seek a refund of the Michigan motor fuel tax, less the collection cost allowance, when tax-paid fuel originally destined for Michigan is diverted to a location outside of this state. Licensed Exporters have or will have received pre-identified refund claim form 680-3. Unlicensed exporters must submit a written request for refund along with a copy of the diversion and bill of lading.

The Exporter is required to obtain a fuel diversion number from the Registry prior to the diversion taking place.

Bad Debt Deduction for Licensed Suppliers

A Licensed Suppliers are entitled to a credit against their tax payable when they have remitted tax that was not ultimately collected from an eligible purchaser, presuming that the tax has remained uncollected for 90 days after the date the eligible purchaser should have paid the tax.

The Supplier must advise the Department in writing of a failure to collect within 10 days of the date the eligible purchaser should have paid the tax to the Supplier.

Credit must be claimed on the first return filed by the Supplier after the 90-day period has expired. The claim must identify the defaulting eligible purchaser and be accompanied by any documentation the Department requires.

If the Supplier subsequently collects any tax from the eligible purchaser for which credit has been claimed, the Supplier is required to remit the tax on the return filed for the period during which the payment was received. The Supplier must provide a statement of explanation that identifies the period for which the tax was paid and any other information or documentation the Department requires.

SHIPPING PAPERS

Refinery or terminal operators and operators of bulk plants, with the exception of bulk plant operators who deliver into tank wagons, must issue **automated machine-generated** shipping papers. The papers are to be provided to the driver of the fuel transportation vehicle or operator of a train pulling a rail car transporting fuel, and must include all of the following:

- Address and terminal number of the facility from which the fuel is removed, or the address of the bulk plant from which the fuel is withdrawn
- Date the fuel is removed or withdrawn
- Gross **and** net gallons removed or withdrawn.
- State of destination as represented by the transporter, shipper or shipper's agent
- Notices required by PA 403. Sections 103, 112 and 113 impose requirements for the placement of notices on shipping papers.

When unforeseen circumstances prevent the issuance of automated machine-generated shipping papers the refinery, terminal or bulk plant operator may issue a manually prepared shipping paper provided that the following requirements are met:

- The refinery, terminal or bulk plant operator is required to contact the Department to obtain a Service Interruption Authorization Number, which will be valid for a period of not more than 24 hours. If the cause of the service interruption is not corrected within 24 hours, the refinery, terminal or bulk plant operator must contact the Department for another number. The toll-free number to call is **1-888-213-0676**. The automated telephone system is available 24 hours a day, 7 days a week.
- The Service Interruption Authorization Number must be included on the shipping papers.

INVOICING

PA 403 requires that all invoices for sales of motor fuel indicate the amount of Michigan motor fuel tax charged as a separate line item.

Invoices must include at least the following information:

- Name and address of the seller
- Name and address of the purchaser
- Date of the transaction
- Type of fuel
- Gallons sold
- Tax charged.

RECORDKEEPING

Retailers, bulk plant operators, bulk end-users and bulk storage facilities are required to retain shipping papers at the delivery location for 30 days.

Shipping papers must be maintained for at least four years, but may be kept at either the delivery location **or another location** after the initial 30 days.

Accurate and complete records of all transactions must be maintained for no less than four years.

RIGHT TO EXAMINE RECORDS

The Department has the authority to audit and examine records, books, papers and equipment of any person including, but not limited to, licensees and bulk end users to ensure that the tax imposed by the Act has been paid.

At the request of the Department, the person is required to make the records, books or papers available at the person's place of business in Michigan, or at the Department's location if the records are maintained at a location outside of this state, within three business days.

Failure to comply may result in civil and/or criminal penalties.

PENALTY PROVISIONS

PA 403 provides for both civil and criminal penalties for violations.

GENERAL FUEL TAX INFORMATION RETAIL MARINE DIESEL DEALERS AND LIQUEFIED PETROLEUM GAS (LPG) DEALERS

Effective April 1, 2003 amendments to PA 403 eliminate the licensing and filing requirements for Retail Diesel Dealers and Fuel Vendors. The Retail Marine Diesel Dealers still need to be licensed and file fuel tax reports. These changes are possible because the amendments eliminate the 6-cents-per-gallon discount on highway diesel fuel delivered into the fuel supply tank of a qualified commercial motor vehicle or qualified motor vehicles. Providing a vehicle is not specifically exempt from fuel tax by the Act, all diesel fuel sales into highway vehicles will be at the full tax rate, currently 15 cents per gallon. In addition, all bulk deliveries of undyed diesel fuel must include the fuel tax at the full rate, currently 15 cents per gallon.

The section on liquefied petroleum gas was not affected by these amendments.

The April 1, 2003 amendments had no effect on the dyed diesel fuel provisions in PA 403. Persons are prohibited from using dyed diesel fuel in highway vehicles and severe penalties apply if they are found in violation of this provision. MCL 207.1122 states, “(1) a person shall not operate or maintain a motor vehicle on the public roads or highways of this state with dyed diesel fuel in the vehicle’s fuel supply tank. (2) This section does not apply to dyed diesel fuel used in any of the following: (a) A motor vehicle owned and operated or leased and operated by the federal or state government or a political subdivision of this state. (b) A passenger vehicle that has a capacity of 10 or more and that operates over regularly traveled routes expressly provided for in 1 or more of the following that applies to the passenger vehicle: (I) A certificate of authority issued by the state transportation department. (ii) A municipal franchise. (iii) A municipal license. (iv) A municipal permit. (v) A municipal agreement. (vi) A municipal grant.

Questions concerning motor fuel licensing and tax reporting requirements should be directed to Treasury’s Customer Contact Division:

Michigan Department of Treasury
Customer Contact Division - Special Taxes
Lansing, Michigan 48922

The telephone number for the Customer Contact Division - Special Taxes is (517) 636-4600 and the fax number is (517) 636-4593.

Frequently asked questions concerning motor fuel can be found on Treasury’s Web site at www.michigan.gov/treasury.

Definitions of Various Terms Used in PA 403

Diesel Motor Fuel. Any liquid other than gasoline that is capable of use as a fuel or a component of a fuel in a motor vehicle that is propelled by a diesel-powered engine or a diesel-powered train. Diesel fuel includes number 1 and number 2 fuel oils, kerosene, dyed diesel fuel and mineral spirits. Diesel fuel also includes any blendstock or additive that is sold for blending with diesel fuel, any liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for propulsion of diesel-powered engine, airplane or marine vessel. An additive or blendstock is presumed to be sold for blending unless a certification is obtained for federal purposes that the substance is for a use other than blending for diesel fuel.

Dyed Diesel Fuel. Diesel fuel that is dyed in accordance with Internal Revenue Service rules or pursuant to any other Internal Revenue Service requirements, including any invisible marker requirements.

Kerosene. All grades of kerosene including, but not limited to, the two grades of kerosene, No. 1-K and No. 2-K, commonly known as K-1 kerosene and K-2 Kerosene respectively, described in American Society for testing and materials specifications D-3699, in effect on January 1, 1999, and kerosene-type jet fuel described in American Society for testing and materials specification D-1655 and military specifications MIL-T-5624r and MIL-T-83133d (grades jp-5 and jp-8), and any successor Internal Revenue Service rules or regulations, as the specification for kerosene and kerosene-type jet fuel.

Motor Fuel. Gasoline, diesel fuel, kerosene, a mixture of gasoline, diesel fuel, or kerosene, or a mixture of gasoline, diesel fuel, or kerosene and any other substance.

Motor Vehicle: A vehicle that is propelled by an internal combustion engine or motor and is designed to permit the vehicle's mobile use on the public roads or highways of this state. Motor vehicle does not include any of the following:

- An implement of husbandry
- A train or other vehicle operated exclusively on rails
- Machinery designed principally for off-road use and not licensed for on-road use
- A stationary engine.

Person. An individual, cooperative, partnership, firm, association, limited liability company, limited liability partnership, joint stock company, syndicate, corporation (both private and municipal), and any receiver, trustee, conservator, or any other officer having jurisdiction and control of property by law or by appointment of a court other than units of government.

Public Roads or Highways. A road, street or place maintained by this state or a political subdivision of this state and generally open to use by the public as a matter of right for the purpose of vehicular travel, notwithstanding that they may be temporarily closed or travel is restricted for the purpose of construction, maintenance, repair or reconstruction.

Licensing and Fees

There is no longer an annual licensing requirement. Once persons are licensed, their license continues in active status until such time as they quit business and notify the Department. If the Department revokes a license, the licensee **must cease operations immediately**.

The Department reserves the right to require periodic updates of information from its licensees.

Account Number

The account number is the federal employer identification number (FEIN). If a licensee does not have an FEIN, the Department will issue a Treasury (TR) number. A Michigan Establishment (ME) number will be issued if the licensee is filing tax returns or receiving mail at different locations.

Application

First time licensees need to apply for their licenses by completing and filing the Application form 3712. Any questions concerning licensing should be referred to the Customer Contact Division - Special Taxes at (517) 636-4600.

To avoid delays in processing applications, remit the appropriate licensing fees with the application.

Bonding

The Department may require bonding as a condition of licensing. If bonding is required, the Department will notify the licensee in writing and will specify the amount of the required bond. A bonding company licensed to do business in Michigan must issue the bond. It is the responsibility of the licensee to locate a bonding company. In lieu of a surety bond, the Department may accept a cash bond. Any questions on bonding should be directed to the Customer Contact Division - Special Taxes at (517) 636-4600.

License Revocation

Licensees may have their license revoked if they fail to file fuel tax returns and pay the tax when due. If a license is being reviewed for revocation, the Department will notify the licensee in writing of the time and place for a “show cause” hearing. At this hearing the licensee will have the opportunity to discuss the delinquency with the Department and arrange for corrective action. Failure to appear at the “show cause” hearing or failure to comply with conditions set forth in this hearing may result in the immediate revocation of the licensee’s fuel tax license.

Tax Rate

The current tax rate for undyed diesel fuel being delivered into highway vehicles and bulk storage facilities is 15 cents per gallon.

Sales of Undyed Diesel Fuel to the Government Including Credit Card Sales

All motor fuel retail dealers in the State of Michigan prepay the motor fuel tax.

PA 403 of 2000, MCL 207.1001 through 2007.1070, exempts governmental agencies from the motor fuel tax. PA 403 provides for relief to motor fuel retail dealers making tax-free sales of tax-paid motor fuel to governmental agencies.

If the sale is a cash transaction, the independent motor fuel retail dealer must file, with the Department, a statutory refund claim form (including proper documentation) to get a refund of the motor fuel tax they paid on fuel which was subsequently sold tax-free to a governmental agency.

If the sale is a credit card transaction, the procedure will vary depending on whether the credit card is a proprietary credit card or a standard credit card. The procedure is also dependent on whether the person making the claim is licensed in some capacity under PA 403. Motor fuel retail dealers are not required to be licensed or file returns under PA 403 with the exception of marine diesel retail dealers.

The following should assist in understanding this process when tax-paid motor fuel is sold to qualifying governmental agencies.

For an independent motor fuel retail dealer credit card transaction, the:

- Independent motor fuel retail dealer prepares the credit card transaction slip for the governmental agency, including the motor fuel tax.
- Independent motor fuel retail dealer forwards the transaction slip to the credit card issuer.
- Credit card issuer makes full payment of the amount on the transaction slip, minus any services fees, to the independent motor fuel retail dealer.
- Credit card issuer bills the governmental agency for the amount of the original transaction slip, minus any motor fuel tax charged.
- Credit card issuer files a statutory refund claim with the Department to recover the cost of the motor fuel tax they paid to the independent motor fuel retail dealer.

For a motor fuel retail dealer owned by major oil company:

- If the governmental agency purchases motor fuel on a standard credit card, the agency should follow the same process as outlined above for the independent motor fuel retail dealer.
- If the governmental agency purchases motor fuel for cash or on the major oil company's proprietary credit card and the major oil company is licensed and filing returns under PA 403, the major oil company:
 - For proprietary credit card transactions prepares the credit card transaction slip for the governmental agency minus the motor fuel tax.

When the major oil company files its monthly fuel tax report, the company should take a deduction for tax-free sales to governmental agencies. This deduction includes the cash and proprietary **credit card transactions**. **The major oil company must maintain records to support this deduction.**

Invoicing

Motor fuel retailers should properly invoice the sales of motor fuel. By doing this they facilitate their customers' ability to file refund claims and prepare any fuel tax reports they may be responsible for filing.

A properly prepared invoice should contain the following information:

1. Seller's name, address and account number (FEIN, TR or ME).
2. Date of sale.
3. Name of purchaser. In the case of a lessee/lessor agreement, receipt will be accepted in either name, provided a legal connection can be made to the reporting party.
4. Type of fuel sold.
5. Number of gallons sold.
6. The motor fuel tax rate charged to the customer.
7. Signature of the purchaser or purchaser's agent and the seller or seller's agent.
8. Invoices must be prepared in duplicate, with the original invoice furnished to the purchaser and the copy kept by the seller for four years.

Invoicing Tax-Exempt Undyed Diesel Fuel Sales

Undyed tax-exempt diesel fuel sales are limited to 100 gallons or less per transaction. If more than 100 gallons are purchased, the tax must be charged and the purchaser must file a claim for refund if the fuel is consumed in a nontaxable manner.

A properly prepared invoice for tax-exempt sales of diesel fuel must include the following:

1. Seller's name, address and account number (FEIN, TR or ME).
2. Date of sale.
3. Name of purchaser.
4. Descriptions of tax-exempt sale (e.g., home heating, off-highway equipment, etc.).
5. Type of fuel sold.
6. Number of gallons sold.
7. Price per gallon, including the full tax rate.
8. A separate line showing a credit for the road privilege tax charged in item 7 above, or a statement that **no Michigan Road Privilege Tax is included in the price per gallon figure**, item 7 above, will suffice.
9. Signature of the purchaser or purchaser's agent and the seller or seller's agent.
10. Invoices must be prepared in duplicate, with the original invoice furnished to the purchaser and the copy kept by the seller for four years.

RETAIL MARINE DIESEL DEALERS

Retail Marine Diesel Dealers licensing and tax reporting requirements are not affected by the amendments to PA 403 which took effect April 1, 2003. These entities are still required to license and file quarterly fuel tax reports. The major impact to Retail Marine Diesel Dealers will be the amount they pay up front when acquiring undyed diesel fuel. After April 1, 2003, they are required to acquire undyed diesel fuel at the full tax rate, currently 15 cents per gallon. Their acquisition of dyed diesel fuel for marine purposes remains unchanged.

The Natural Resources and Environmental Protection Act (PA 451 of 1994) imposes a privilege tax on all gasoline and diesel fuel sold in Michigan which is used to generate power for the operation or propulsion of vessels on the waterways of this state.

Diesel fuel consumed in the watercraft cited below is exempt from the marine waterways tax:

- Watercraft used for commercial fishing
- Watercraft used by Sea Scouts
- Watercraft used in interstate or foreign commerce
- Watercraft used by the Federal, State or Local Government
- Watercraft owned by a railroad or railroad car ferry company
- Watercraft used in trade, including watercraft used in connection with an activity which constitutes a person's chief business or livelihood.

It is the responsibility of the Retail Marine Diesel Dealer to collect the marine diesel fuel tax from any vessel that is not exempt from the tax, whether the fuel is dyed or undyed diesel fuel.

Who Must Be Licensed as a Retail Marine Diesel Dealer?

A licensed Retail Marine Diesel Dealer is any person who engages in the business of selling or distributing diesel motor fuel into boats or other marine vessels or into the bulk storage of an unlicensed end user of marine fuel.

General Information

The Natural Resources and Environmental Protection Act (PA 451 of 1994) imposes tax on fuel used in vessels on the waterways of this state at the same rate as the tax imposed under PA 403. PA 451 further requires that the tax be collected in the same manner and at the same time as PA 403.

PA 403 prohibits the use of dyed diesel fuel on the public roads and highways of this state; however, it does not prohibit the use of dyed diesel fuel in marine vessels.

Dyed diesel fuel is exempt from the tax under PA 403 so the Retail Marine Diesel Dealer can acquire dyed diesel fuel without payment of the tax to the fuel supply source. If untaxed dyed diesel fuel is sold for a taxable purpose, the Retail Marine Diesel Dealer must collect the full 15-cents-per-gallon marine fuel tax from the customer and remit the tax with the return.

The Retail Marine Diesel Dealer cannot take credit for dyed diesel fuel acquisitions on the returns, as the fuel supply source should not have charged the tax.

A Retail Marine Diesel Dealer can acquire undyed diesel fuel. If undyed diesel fuel is acquired, the Retail Marine Diesel Dealer must pay the 15-cents-per-gallon fuel tax to the fuel supply source. If a taxable sale of undyed diesel fuel is made, the Retail Marine Diesel Dealer will collect the full 15-cents-per-gallon fuel tax from the customer.

When sales of undyed diesel fuel are made, the Retail Marine Diesel Dealer will take a credit of 15 cents per gallon on the return for the tax paid to the fuel supply source.

Tax-free sales of undyed diesel fuel into marine vessels are limited to 100 gallons per sale. If more than 100 gallons of undyed diesel fuel is delivered into a vessel, the tax must be charged. The purchaser, if eligible, may file a claim for refund of the motor fuel tax.

Licensing and Fees

There is no longer an annual licensing requirement. Once persons are licensed, their license continues in active status until such time as they quit business and notify the Department. If the Department revokes a license, the licensee is no longer licensed and must **cease operations immediately**.

New applicants are required to file an application and pay a fee of \$50 to become licensed as a Retail Marine Diesel Dealer. This is a one-time licensing process and need not be repeated in subsequent years as long as the license is in active status.

The Department reserves the right to require periodic updates of information from its licensees.

Account Number

A Retail Maine Diesel Dealer's account number is the FEIN. If a Retail Marine Diesel Dealer does not have an FEIN, the Department will issue a Treasury TR number. In some cases an ME number will be issued if Retail Marine Diesel Dealers are filing tax reports or receiving mail at different locations.

Application

New applicants will need to complete form 3712 MOTOR FUEL TAX LICENSE APPLICATION to receive their Retail Marine Diesel Dealer's license. Any questions concerning licensing should be referred to the Customer Contact Division - Special Taxes at (517) 636-4600.

To avoid delays in processing applications, remit the appropriate licensing fees with applications.

Bonding

The Department may require bonding as a condition of licensing. If bonding is required, the Department will notify the licensee in writing and will specify the amount of the required bond. A bonding company licensed to do business in Michigan must issue the bond. It is the responsibility of the licensee to locate a bonding company. In lieu of a surety bond the Department may accept a cash bond. Any questions on bonding should be directed to the Customer Contact Division - Special Taxes at (517) 636-4600.

License Revocation

Licensees may have their license revoked if they fail to file fuel tax returns and pay the tax when due. If a license is being reviewed for revocation the Department will notify the licensee in writing of the time and place for a “show cause” hearing. At this hearing, the licensee will have the opportunity to discuss the delinquency with the Department and make arrangements for corrective action. Failure to appear at the “show cause” hearing or failure to comply with conditions set forth in this hearing may result in the immediate revocation of the licensee’s fuel tax license.

Tax Rate

The tax rate for taxable sales of dyed and undyed marine diesel fuel is 15 cents per gallon.

Invoicing Tax-Exempt Sales of Marine Diesel Fuel

A properly prepared invoice for tax-free sales of marine diesel fuel must contain the following information:

1. Seller’s name, address and account number (FEIN, TR or ME).
2. Date of sale.
3. Name of purchaser.
4. Type of tax-exempt sale (e.g., Sea Scouts, commercial fisherman, etc.).
5. Type of fuel sold.
6. Number of gallons sold.
7. Price per gallon including tax.
8. A separate line showing a credit for the waterways tax charged in item 7 above, or a statement that **no Michigan Waterways Tax is included in the price per gallon figure**, item 7 above, will suffice.

9. Signature of the purchaser or purchaser's agent and the seller or seller's agent.
10. Invoices must be prepared in duplicate, with the original invoice furnished to the purchaser and the copy kept by the seller for four years.

Any variance from the above procedure may put the Retail Marine Diesel Dealer at risk in an audit situation and may result in substantial liabilities being assessed by the Department.

Returns and Schedules

A licensed Retail Marine Diesel Dealer must file the following forms:

Form 3769 MARINE WATERWAYS DIESEL MOTOR FUEL TAX RETURN

Form 3767 MARINE WATERWAYS DEALER'S SCHEDULE OF RECEIPTS OF
DIESEL FUEL

Record Keeping Requirements

Retail Marine Diesel Dealers must keep records to document their acquisitions and disbursements of diesel fuel. Shipping papers must be maintained at the delivery location for a 30-day period. All records must be kept for a period of four years from the due date of the return or the date the return was filed, whichever is later. These records will be kept at the delivery location or another business location of the Retail Marine Diesel Dealer. **Inadequate record keeping is a primary reason why fuel tax deficiencies are discovered in a field audit.**

Due Date of Returns

Returns are due on the 20th of the month following the close of the reporting period. For example, if a quarterly return reporting period is from January 1 through March 31, the return is due on April 20. If the 20th falls on a weekend or a legal holiday, the return is due on the next business day. If the U.S. Postal Service postmark is dated on or before the due date of the return, the return is considered timely filed.

Returns and Statute of Limitations

An original or amended return resulting in a refund due the licensee must be filed within four years from the due date of the return.

A return resulting in a deficiency may be assessed for a period of four years from the due date or the date the return was filed, whichever is later.

Penalty and Interest

Penalty and interest are charged in accordance with the penalty and interest provisions of PA 122 of 1941, as amended.

Discontinuance, Selling or Transfer of Business and Cancellation, Revocation or Termination of License

A licensee must send a written notice to the Department within **three days** of the discontinuance, sale or transfer of licensee's business. This notice shall provide the date of discontinuance, sale or transfer and, if the business is sold or transferred, the name and address of the purchaser or transferee. A licensee is responsible for all taxes, interest and penalties that accrue or may be owed before the date of receipt of the required notice by the Department.

Within **15 days** after the discontinuance, sale or transfer of a business, or the cancellation, revocation or termination of a license, the licensee shall provide the Department with a final return and shall include with the return a payment of all motor fuel taxes, penalties and interest that are due.

LIQUEFIED PETROLEUM GAS (LPG) DEALERS

Definition of Terms Used

Liquefied Petroleum Gas (LPG). Gases derived from petroleum or natural gases which are in the gaseous state at normal atmospheric temperature and pressure, but which may be maintained in the liquid state at normal atmospheric temperature by suitable pressure. Liquefied petroleum gas includes those products predominately composed of propane, propylene, butylene, butane and similar products.

LPG Dealer. A person who is licensed under this chapter to use liquefied petroleum gas.

Use, Used or Uses. Means any of the following:

1. Selling or delivering liquefied petroleum gas not otherwise subject to tax under this Act, either by placing it into a permanently attached fuel supply tank of a motor vehicle, or exchanging or replacing of the fuel supply tank of a motor vehicle.
2. Delivery of liquefied petroleum gas into storage, devoted exclusively to the storage of liquefied petroleum gas to be consumed in motor vehicles on the public roads or highways.
3. Withdrawing liquefied petroleum gas from the cargo tank of a truck, trailer or semi-trailer for the operation of a motor vehicle upon the public roads and highways of this state, whether used in vapor or liquid form.

Who Must Be Licensed as an LPG Dealer?

The use of LPG in a highway vehicle upon the public roads and highways of this state is taxable under the provisions of PA 403.

Persons who must be licensed as LPG Dealers are those who perform any of the operations as outlined in the definition section (above) under the terms Use, Used or Uses.

Licensing and Fees

There is no longer an annual licensing requirement. Once persons are licensed, their license continues in active status until such time as they quit business and notify the Department. If the Department revokes the license, the LPG dealer is no longer licensed and **must cease operations immediately**.

If a person had a valid license under PA 150 as an LPG Dealer, the license was grandfathered in under the new law. It will **not** be necessary to apply for an LPG Dealer's license. The appropriate license will be issued and no fees will be charged.

New applicants must complete an application and pay a fee of \$50 to become licensed. See Application below.

The Department reserves the right to require periodic updates of information from its licensees.

Account Number

An LPG dealer's account number is the FEIN. If an LPG dealer does not have an FEIN, the Department will issue a Treasury (TR) number. An ME number will be issued if filing tax returns or receiving mail at different locations.

Application

New applicants will need to complete form 3714 MOTOR FUEL TAX LICENSE APPLICATION - SHORT to receive their LPG retail dealer's license. Any questions concerning licensing should be referred to the Customer Contact Division - Special Taxes at (517) 636-4600.

Bonding

The Department may require bonding as a condition of licensing. If bonding is required, the Department will notify the licensee in writing and will specify the amount of the required bond. A bonding company licensed to do business in Michigan must issue the bond. It is the responsibility of the licensee to locate a bonding company. In lieu of a surety bond, the Department may accept a cash bond. Any questions on bonding should be directed to the Customer Contact Division - Special Taxes at (517) 636-4600.

License Revocation

Licensees may have their license revoked if they fail to file fuel tax returns and pay the tax when due. If a license is being reviewed for revocation, the Department will notify the licensee in writing of the time and place for a “show cause” hearing. At this hearing, the licensee will have the opportunity to discuss the delinquency with the Department and arrange for corrective action. Failure to appear at the “show cause” hearing or failure to comply with conditions set forth in this hearing may result in the immediate revocation of the licensee’s fuel tax license.

Tax Rate

The tax rate for LPG used on the public roads and highways is 15 cents per gallon.

Invoicing

When invoicing LPG sales into highway vehicles, the invoice must clearly show that the 15-cents-per-gallon road privilege tax was charged.

Returns and Schedules

Form 577 LIQUEFIED PETROLEUM GAS TAX RETURN must be filed by LPG Dealers.

Record Keeping Requirements

All records must be kept for a period of four years from the due date of the return or the date the return was filed, whichever is later. These records will be kept at the retail location or another business location of the LPG dealer. **Inadequate record keeping is a primary reason why fuel tax deficiencies are discovered in a field audit.**

Due Dates of Returns

Returns are due on the 20th of the month following the close of the reporting period. For example, if a quarterly return reporting period is from January 1 through March 31, the return is due on April 20. If the 20th falls on a weekend or a legal holiday, the return is due on the next business day. If the U.S. Postal Service postmark date is on or before the due date of the return, the return is considered timely filed.

Returns and the Statute of Limitations

An original or amended return resulting in a refund must be filed by the licensee within four years from the due date of the return.

A return resulting in a deficiency may be assessed for a period of four years from the due date of the return or the date the return was filed, whichever is later.

Penalty and Interest

Penalty and interest are charged in accordance with the penalty and interest provisions of PA 122 of 1941, as amended.

Discontinuance, Selling or Transfer of Business and Cancellation, Revocation or Termination of License

A licensee must send a written notice to the Department within **three days** of the discontinuance, sale or transfer of the business. This notice shall provide the date of discontinuance, sale or transfer and, if the business is sold or transferred, the name and address of the purchaser or transferee. A licensee is responsible for all taxes, interest and penalties that accrue or may be owed before the date of receipt of the required notice by the Department.

Within **15 days** after the discontinuance, sale or transfer of a business, or the cancellation, revocation or termination of a license, the licensee shall provide the Department with a final return and shall include with the return a payment of all motor fuel taxes, penalties and interest that are due.

MOTOR CARRIER SUPPLEMENT TO TAX TEXT

GENERAL INFORMATION

Michigan's Motor Carrier Fuel Tax Act (PA 119) went into effect in 1980.

Michigan no longer licenses or requires tax reports from intrastate motor carriers. This provision went into effect April 1, 2003.

Michigan became a participating member in the International Fuel Tax Agreement (IFTA) on January 1, 1996. Participation in IFTA had a profound effect on the licensing and reporting requirements for motor carriers based in this jurisdiction. Prior to IFTA, motor carriers involved in interstate operations, within the United States and Canada, were required to license with each individual jurisdiction. Because of this, a motor carrier was required to file a separate fuel tax report with every jurisdiction in which the motor carrier operated.

Under IFTA, a motor carrier files one fuel tax license application with the base jurisdiction, and that jurisdiction issues the motor carrier credentials which consist of a cab card (license) and a set of decals for each power unit. These credentials are valid for licensing purposes in all participating IFTA jurisdictions.

Michigan passed dyed diesel fuel legislation effective April 1, 2001.

Diesel fuel containing red dye is exempt from the road privilege tax unless it is used for a taxable purpose.

Motor carriers are cautioned that the use of dyed diesel fuel in vehicles on the public roads and highways of this state is prohibited and severe penalties apply.

A motor carrier may designate a bulk storage tank for dyed diesel fuel for use in off-road equipment.

Motor carriers may qualify for a refund for tax paid on undyed diesel fuel consumed in **attached equipment**. The statute defines attached equipment as equipment used by the end user in the regular course of his or her business that is powered by diesel fuel from the common fuel supply tank. Attached equipment includes, but is not limited to, certain pumping, spraying, seeding, spreading, shredding, lifting, winching, dumping, cleaning, mixing, processing and refrigeration equipment. Attached equipment does not include a heater, air conditioner, radio or any other equipment that is used in the cab of the motor vehicle and does not include any other equipment that the Department reasonably determines does not meet this definition.

To qualify for the attached equipment refund, vehicles must be exclusively used for business or commercial purposes. The refund does not apply to automobiles even if they are used for business or commercial purposes.

The attached equipment refund is limited to 15% of the tax paid on fuel consumed in highway vehicles that qualify for the refund. If claimants believe that a different percentage should be allowed, they should contact the Customer Contact Division - Special Taxes for instructions.

The refund must be claimed within 18 months from the date of the fuel purchase.

Note: There are no provisions in the Motor Carrier Fuel Tax Act or the IFTA Articles of Agreement for the non-highway use of motor fuel. The attached equipment refund provision is found in Michigan's PA 403 Motor Fuel Tax Act. The attached equipment claim for refund is strictly a Michigan provision and consideration for attached equipment cannot be taken on the IFTA fuel tax report.

In other words, a motor carrier cannot adjust the IFTA fuel tax reports for fuel consumed in attached equipment. This includes, but is not limited to, the Taxable Miles and Taxable Gallons columns on the IFTA fuel tax report.

Questions concerning motor carrier licensing and tax reporting requirements or attached equipment refunds should be directed to Customer Contact Division at:

Michigan Department of Treasury
Customer Contact Division - Special Taxes
Lansing, Michigan 48922

Telephone numbers for Customer Contact Division - Special Taxes are:

Questions concerning licensing	(517) 636-4580
Questions concerning tax reporting and attached equipment refunds	(517) 636-4600
Fax number	(517) 636-4591 or 636-4593

Information on motor carriers and IFTA, Inc. can be found on Treasury's Web site at www.michigan.gov/treasury.

WHO MUST BE LICENSED AS AN IFTA MOTOR CARRIER?

Persons operating interstate “qualified motor vehicles” must license as IFTA motor carriers. IFTA defines a “qualified motor vehicle” as a motor vehicle used, designed or maintained for transportation of persons or property and:

- Having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
- Having three or more axles regardless of weight; or
- Is used in combination when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle or registered gross vehicle weight.

It is important to note, when counting the axles to determine if a vehicle or combination of vehicles qualify for licensing, do not count the axles on the trailing unit, only count the axles on the power unit.

Recreation vehicles are not qualified motor vehicles even if they meet the above requirements.

IFTA BASE JURISDICTION

R212 of the IFTA Articles of Agreement defines base jurisdiction as “the jurisdiction where qualified motor vehicles are based for vehicle registration purposes” and:

- “.100 Where the operational control and operational records of the licensee’s qualified motor vehicles are maintained or can be made available; and
- .200 Where some travel is accrued by qualified motor vehicles within the fleet. The commissioners of two or more affected jurisdictions may allow a person to consolidate several fleets that would otherwise be based in two or more jurisdictions.”

IFTA ACCOUNT NUMBER

An interstate (IFTA) motor carrier’s account number is the FEIN. If the interstate motor carrier does not have an FEIN, the IFTA Articles of Agreement require that the motor carrier use an owner’s, partner’s or corporate officer’s social security number for identification purposes. Either an FEIN or a social security number will be printed on fuel tax reports.

If an interstate motor carrier does not have an FEIN, the Department will issue a TR number for general tax purposes; however, this number will not be printed on the license or fuel tax reports.

IFTA New and Renewal Applications

Form 2823 MICHIGAN IFTA FUEL TAX LICENSE APPLICATION is used for new applicants and when applying for additional decals.

Form 3014 RENEWAL APPLICATION FOR MICHIGAN IFTA FUEL TAX LICENSE will be mailed to an IFTA carrier who is already licensed.

IFTA Temporary Permits

A **licensed IFTA Motor Carrier** can obtain a temporary permit for a qualified motor vehicles(s). This permit is valid for a period of 30 days. This allows enough time for the Department to process the motor carrier’s request for **additional decals** and for the motor carrier to affix these decals to vehicles. These permits are vehicle specific and temporarily take the place of the motor carrier’s regular credentials. To qualify for a temporary permit, the motor carrier **must already be licensed for the tax year**. Temporary permits are **not** issued to applicants who are filing their first application or first renewal application for the tax year.

Trip Permits

A motor carrier can get a five-day fuel tax permit which allows the motor carrier to operate on this State's public roads and highways a "qualified motor vehicle" that has **not** been licensed for fuel tax purposes. These permits are vehicle-specific and valid for five consecutive days. Permits can be obtained from the various permitting services or the Department. The fee is \$20 per permit plus any fees the permitting service may charge.

IFTA Grace Period for Licensing

The motor carrier's license year runs from January 1 through December 31. A licensed motor carrier has until the last day in February of the new license year to display that year's decals. While this gives motor carriers a two-month grace period after the license year ends, they are encouraged to apply for the next year's license and decals as soon as possible. Pre-identified applications are mailed to motor carriers in the latter part of October or early November. Motor carriers waiting until after January 1 to apply for their next year's license run the risk of not being licensed before their decals expire. This lapse in licensing may result in the motor carrier being cited by law enforcement agencies for not having a current fuel tax license.

Bonding

The Department may require bonding as a condition of licensing. If bonding is required, the Department will notify the motor carrier in writing and will specify the amount of the required bond. A bonding company licensed to do business in Michigan must issue the bond. It is the responsibility of the motor carrier to locate a bonding company. In lieu of a surety bond, the Department may accept a cash bond. Any questions on bonding should be directed to the Customer Contact Division - Special Taxes at (517) 636-4600.

License Revocation

A motor carrier may have a license revoked if the motor carrier fails to file fuel tax reports and pay the tax when due. If a motor carrier's license is being reviewed for revocation, the Department will notify the motor carrier in writing of the time and place for a "show cause" hearing. At this hearing, the motor carrier will have the opportunity to discuss the delinquency with the Department and arrange for corrective action. Failure to appear at the "show cause" hearing or failure to comply with conditions set forth in this hearing will result in the immediate revocation of the motor carrier's fuel tax license.

Invoicing Tax-Exempt Undyed Diesel Fuel Sales

It is important to remember that tax-exempt undyed diesel fuel purchases are limited to 100 gallons or less per transaction. If more than 100 gallons is purchased, the tax must be charged.

A properly prepared invoice for tax-exempt purchases of diesel fuel must include the following:

1. Seller's name, address and account number (FEIN, TR or ME).
2. Date of purchase.
3. Name of purchaser.
4. Descriptions of tax-exempt sale (e.g., home heating, off-highway equipment, etc.).
5. Type of fuel purchased.
6. Number of gallons purchased.
7. Price per gallon, including the full tax rate multiplied by the number of gallons purchased.
8. A separate line showing a credit for the road privilege tax charged in item 7 above, or a statement that **no Michigan Road Privilege Tax is included in the price per gallon figure**, item 7 above, will suffice.
9. Signature of the purchaser or purchaser's agent and the seller or seller's agent.
10. Invoices must be prepared in duplicate, with the original invoice furnished to the purchaser and the copy kept by the seller for four years.

IFTA FUEL TAX REPORTS AND SCHEDULES

The following report/schedule must be filed by licensed motor carriers:

- Form IFTA-100 IFTA QUARTERLY FUEL USE TAX REPORT
- Form IFTA-101 IFTA QUARTERLY FUEL USE TAX SCHEDULE

These forms are used in preparing the IFTA fuel tax report:

- Form IFTA-105 IFTA FINAL FUEL USE TAX RATE AND RATE CODE TABLE (**This form is revised quarterly because of tax rate changes in the participating jurisdictions.**)
- Form IFTA-105.1 Continuation of the IFTA-105 - IFTA FINAL FUEL USE TAX RATE AND RATE CODE TABLE (**This form is revised quarterly.**)

IFTA RECORD KEEPING REQUIREMENTS

Motor carriers must keep records of all their fuel purchases and mileage. If motor carriers are operating interstate, they must break the fuel purchases and mileage records down so they can report these figures in the proper column for each jurisdiction on Schedule IFTA-101. Records must be kept for a period of **four years** from the due date of the report or the date the report was filed, whichever is later.

Inadequate record keeping is a primary reason why fuel tax deficiencies are discovered in a field audit. If a motor carrier fails to keep adequate fuel purchase and mileage records, the statutes require that the Department adjust the fleet average mileage to four miles per gallon.

IFTA DUE DATE OF REPORT

Reports are due on the last day of the month following the close of the reporting period. For example, if motor carrier is a quarterly filer and the reporting period is from January 1 through March 31, the report is due on April 30. If the due date of the report falls on a weekend or legal holiday, the report is due the next business day. If the U.S. Postal Service postmark date is on or before the due date of the report, the report is considered timely filed.

PENALTY AND INTEREST PROVISIONS

IFTA Motor Carriers

Penalty is charged pursuant to the IFTA Articles of Agreement R1220. The penalty charge is the greatest of \$50 or 10% of the tax due.

IFTA carriers are also subject to the late payment penalty charges in section 24 of the Revenue Act.

In addition, the Department, on a case-by-case basis, may charge discretionary penalties.

Interest is also charged for late payment of tax on a report. R1230 of the IFTA Articles of Agreement provide an annual interest rate of 12% for carriers based in U.S. jurisdictions. Canadian motor carriers pay a rate equal to the Canadian Federal Treasury Bill rate plus two percent and is adjusted every calendar year.

Interest for IFTA motor carriers is calculated separately for each jurisdiction. An overpayment in one jurisdiction shall not affect the interest calculation for any other jurisdiction.

LEASE AGREEMENTS

Lease agreements are a common practice in the motor carrier industry. This practice can and does complicate the filing and processing of fuel tax reports. Many motor carriers have found themselves facing large tax liabilities because they failed to understand who has the tax reporting responsibility under a lease agreement. The following may assist motor carriers in lease situations:

- Before signing a lease agreement the lessor and lessee should understand what they have agreed to. Too often this is not the case.
- Do not assume the other party is filing the fuel tax reports on your behalf.
- Lessors should cancel their IFTA fuel tax license if they are in a lease agreement where:
 - Lessee has provided the fuel decals for the vehicle and the license and decals are in the lessee's name. If license and decals are not in lessee's name, contact the Special Taxes Unit for advice.
 - Lessee has agreed, in writing, to file the fuel tax reports
 - Lessee has exclusive use of the equipment.
- If lessors fail to cancel their license, the Department will expect reports to be filed under their name and account number and will issue computed assessments if reports are not filed. Lessors are not excused from filing the IFTA fuel tax reports even though they may not have had any activity under their license for the quarter.
- The lease agreement should clearly state who has the fuel tax licensing and tax reporting responsibility. The majority of agreements are deficient in this area.
- If the lessee does not have exclusive use of the equipment, then the lessor must account for the use of the equipment when the lessee is not using it. Sometimes equipment has multiple lessees and the activity of each must be accounted for.
- It is important to remember that Michigan statutes hold both the lessor and lessee **jointly and severally liable** for any liability created by the operation of the leased vehicle.

Discontinuance of Business

If a motor carrier ceases to engage in business in Michigan, the motor carrier shall notify the Department in writing within 15 days after discontinuance. When filing a final fuel tax report, the motor carrier should check the box marked "Cancel License." If the motor carrier fails to check the box, the Department may issue estimated tax assessments for failure to file fuel tax reports as it is presumed the motor carrier is still operating.